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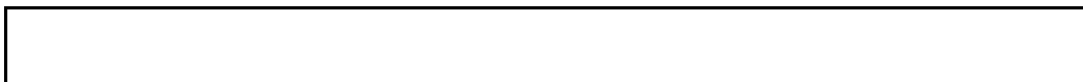
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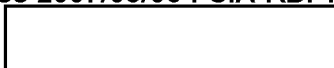


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LATIN AMERICA

With the next meeting of the hemisphere's foreign ministers just over two months away, the Latin Americans are growing less and less receptive to inter-American dialogue with the US.

One of the carrots that sustained Latin American faith in the eventual productiveness of the hemispheric talks, the US Trade Reform Act, has now become a stick in Latin eyes. Many governments have denounced the inclusion--in the final version of the bill--of restrictions against members of OPEC and other cartels.

Ecuador has announced that it will not attend the Buenos Aires meeting in March if the legislation becomes effective. President Rodriguez probably will lobby for a boycott, especially on the part of Venezuela, a fellow OPEC member, and Mexico, which is bidding for OPEC membership. Venezuelan President Perez has complained that developed nations are calling for a dialogue while "threatening" less fortunate countries. Government-influenced media in Panama and Peru have protested the trade bill as a violation of US commitments to Latin America.

Trade is but one of many sources of growing frictions. The US continues to be under heavy criticism over numerous other economic issues and over political issues, such as the sanctions against Cuba and CIA's clandestine activities. Restrictions on US firms abroad exporting to Cuba can have serious effects on relations with particular governments. Mexico, for example, has been pressuring US companies to participate in Mexican-sponsored trade missions to Cuba. In Argentina, a congressman is calling for an investigation of CIA activities and for the expulsion of all CIA agents. This kind of problem may spread after the publication of the Spanish version of a book by former CIA employee Philip Agee.

Editorials from usually friendly Uruguay also have been critical, claiming that the "famous new dialogue has shown to be totally nonproductive." Talk in

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Montevideo and other capitals has begun to question the value of having both a meeting of foreign ministers in March and an OAS General Assembly the following month. Various governments have emphasized the "noninstitutional" aspects of the foreign ministers' sessions and suggested that the more formal OAS should be beefed up as a more enduring vehicle for inter-American cooperation.

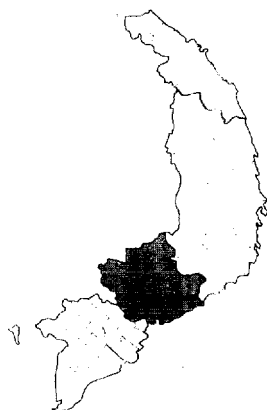
The overall feeling among Latin Americans of increasing distance from the US probably will make alternative cooperation efforts more attractive. Venezuela and Mexico, for example, have begun to make some progress in combating the skepticism that first met their call for a Latin American economic system excluding the US. Various Latin American summits have taken place recently and more are scheduled for 1975, all aimed at unifying Latin America and increasing Latin pressure on the US.

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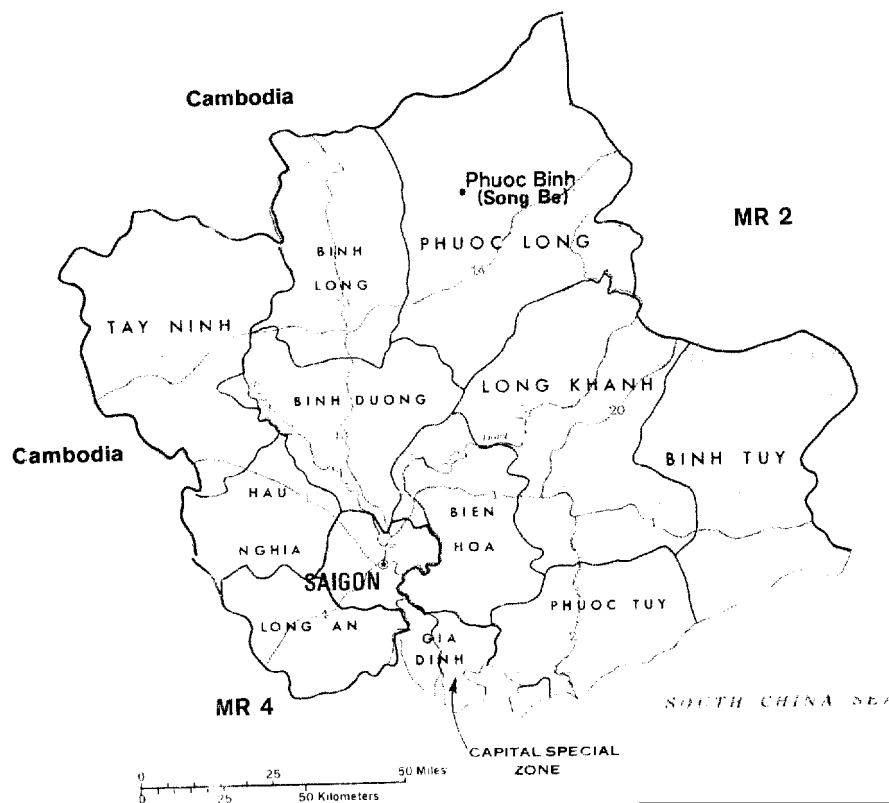
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Military Region 3



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SOUTH VIETNAM

Fighting in northern Military Region 3 remains heavy, although the level of combat elsewhere in South Vietnam is light.

In Phuoc Long Province, all four district capitals have fallen to North Vietnamese forces, and the outlook for the provincial capital of Phuoc Binh--sometimes referred to as Song Be--is bleak. The government so far has given no evidence of an intention to reinforce the garrison there. If captured, it would be the first provincial capital lost to the Communists since the cease-fire.

The district towns lost so far have been in sparsely populated, outlying areas where the government has controlled only the towns and the immediate environs. For the most part, their loss does not represent a significant expansion of territorial control by the Communists, although the loss of a provincial capital would be a psychological blow to the South Vietnamese.

Government forces elsewhere are experiencing some success. Regional forces on Ba Den Mountain in Tay Ninh Province were resupplied in late December, assuring continued government control of this key terrain feature and communications facility, although the situation remains serious.

In Military Region 4, recent government operations are reported to have inflicted heavy casualties on Communist forces. The operations probably will not recapture much lost territory, but the use of mobile regional forces in conjunction with regular army units should further the government's aim of making more effective use of its territorial forces.

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CHINA

Peking continues to move civilians into top provincial party posts once held by military officers. The Chinese have made known new appointments in Fukien and Kiangsi. They are the fourth and fifth provincial vacancies filled in the last year and leave only three provinces without a publicly identified party leader.

The appointments seem to be part of a package worked out in Peking in preparation for the long-awaited National People's Congress--China's rubber-stamp legislature. Two other civilians were named in December to provincial first secretary posts that were last held by military men, and additional appointments are likely.

The new first secretaries--Liao Chih-kao in Fukien and Chiang Wei-ching in Kiangsi--are veteran civilian officials who headed other provinces until they were purged during the Cultural Revolution. Both were rehabilitated at the Tenth Party Congress 16 months ago and have been serving since then in unidentified capacities in Peking, along with several other former provincial leaders. Liao and Chiang are the first two former first secretaries to go directly from the capital to new first secretaryships in the provinces. Others rehabilitated have been assigned lesser positions before being elevated to the top post.

In Liao's case, Peking passed over the former head of Fukien, Yeh Fei, who has also been rehabilitated. Yeh still has a strong following in Fukien, but Peking may have decided that his return would reopen Cultural Revolution wounds.

The appointment of Liao and Chiang reduces to ten the number of military men still leading provinces. More than half of China's 29 provincial-level units had military heads 18 months ago. One of the principal goals of the anti-Confucius campaign has been to reduce the political power of the military.

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Kiangsi and Fukien are badly factionalized provinces where armed clashes between rival power groups occurred during the anti-Confucius campaign. Liao and Chiang face a tough assignment in establishing their authority and reducing tension in their new provinces.

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EC-IRAN

Most EC members, as well as the EC Commission, continue to oppose a preferential trading arrangement with Iran, despite France's recent commitment in Tehran to support such an arrangement. An EC-Iranian agreement thus is unlikely to be concluded in the near future.

Foreign Ministry officials in the UK, Italy, Luxembourg, and the Netherlands firmly oppose preferential arrangements beyond those now being negotiated with Mediterranean, African, Caribbean, and Pacific countries. The Italians, in fact, resisted strong Iranian pressure to include a statement supporting preferential treatment in the communiqué following President Leone's recent visit to Iran.

Irish and Belgian officials have said that they are unlikely to support the French position and doubt that any agreement can be reached. The Belgians probably view an EC-Iranian agreement as detrimental to Western consumer solidarity in future discussions with oil-producing states.

Bonn has been very cautious in its initial reaction to the French position. Although no official statement has been made, a Foreign Ministry official has stated that West Germany feels morally bound to respect the provisions of the informal EC-US agreement restricting the proliferation of preferential agreements beyond the Mediterranean.

So far, there has been no reaction from the Danes, who in the past have been most active in pressing for favorable treatment for Iran. They may be waiting until the new Danish government takes over after elections on January 9.

EC Commission officials have expressed their continued opposition to an EC-Iranian agreement. Fearing further Iranian approaches to individual EC members, however, the Commission has suggested that the US both

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take a strong line with Tehran and argue with EC members that opening the door to Iran would make it impossible to refuse EC preferences to other countries presently excluded.

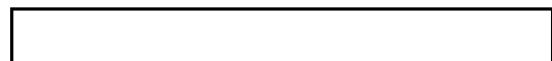
Even the French now describe their commitment in Tehran as largely symbolic and say they have no present plans to pursue the issue within the EC. Paris maintains that French negotiators only agreed to "support the conclusion of an agreement," not to initiate any action. France has also stated its hope that the US would not interpret French action as constituting a breach in consumer solidarity.

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